GEA PROCESS ENGINEERING A/S

Gladsaxevej 305, DK-2860 Søborg

Annual Report for 1 January - 31 December 2017

CVR No 10 05 07 15

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 17/5 2018

Charlotte Louise Thorsen
Chairman

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of GEA PROCESS ENGINEERING A/S for the financial year 1 January - 31 December 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Søborg, 14 May 2018

Executive Board

Ib René Vinther Elgaard CEO	Morten Unn Hansen	Ulla Michelsen
Florian Wolfgang Walter Rück		

Board of Directors

Niels Erik Olsen Chairman	Nina Daniela Scherf	Torsten Henning Kunz-Aue
Jan Kjærsgaard Hansen Staff Representative	Jan Børge Friis Staff Representative	

Independent Auditor's Report

To the Shareholder of GEA PROCESS ENGINEERING A/S

Opinion
We have audited the financial statements of GEA PROCESS ENGINEERING A/S for the financial year 1 January – 31 December 2017 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement users made on the basis of these financial statements.

Independent Auditor’s Report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management’s Review
Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

Independent Auditor's Report

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 14 May 2018
KPMG
Statsautoriseret Revisionspartnerselskab
CVR No 25 57 81 98

David Olafsson
State Authorized Public Accountant
mne19737

Kenn W. Hansen
State Authorized Public Accountant
mne30154

Company Information

The Company	GEA PROCESS ENGINEERING A/S Gladsaxevej 305 DK-2860 Søborg Telephone: + 45 39545454 CVR No: 10 05 07 15 Financial period: 1 January - 31 December Municipality of reg. office: Gladsaxe
Board of Directors	Niels Erik Olsen, Chairman Nina Daniela Scherf Torsten Henning Kunz-Aue Jan Kjærsgaard Hansen Jan Børge Friis
Executive Board	Ib René Vinther Elgaard, CEO Morten Unn Hansen Ulla Michelsen Florian Wolfgang Walter Rück
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28 DK-2100 København Ø
Bankers	Danske Bank Holmens Kanal 2 1090 København K

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2017	2016	2015	2014	2013
	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK
Key figures					
Profit/loss					
Revenue	2.105	1.709	1.666	2.101	1.697
Profit before financial income and expenses	270	152	147	109	102
Net financials	73	35	-28	51	19
Net profit for the year	256	158	85	125	88
Balance sheet					
Balance sheet total	2.771	2.551	1.923	1.844	1.944
Equity	826	710	603	659	709
Investment in property, plant and equipment	25	6	7	13	4
Number of employees	686	645	671	702	642
Ratios					
Profit margin	12,8%	8,9%	8,8%	5,2%	6,0%
Return on assets	9,7%	6,0%	7,6%	5,9%	5,2%
Solvency ratio	29,8%	27,8%	31,4%	35,7%	36,5%
Return on equity	33,3%	24,1%	13,5%	18,3%	11,5%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

As in previous years the core activity of the company has been engineering and supply of industrial processing plants.

Development in the year

The net result of the year is a profit of DKK 256 million compared to a profit of DKK 158 million in 2016.

Management considers the result of the year satisfactory and in accordance with expectations. During 2017 the company has succeeded in maintaining a strong market position.

Special risks - operating risks and financial risks

Operating risks

The company's principal operational risk is related to the ability of being strongly positioned in the important markets. Furthermore it is important for the company to be at the cutting edge of the development within process engineering, including having the possibility to attract and keep employees with qualifications and experience facilitating this objective.

Financial risks

Because of the financial position of the company and its financial resources, the company is only exposed to changes in the interest level to a limited extent. The company is, however, exposed to currency risks related to the current operation. The company primarily covers its currency risks by forward contracts. The development in cash flow from operation activities has been positive in the financial period and the expectations for the cash flow from operating activities in the near future are also positive.

Credit risks

The credit risks of the company are primarily related to accounts receivable in the balance sheet. The company has no major risks regarding single engagements. The company's policy when accepting credit risks means that all larger customers and partners are subject to current credit rating.

Knowledge resources

The ability of the company to attract and retain highly educated employees is essential to its continuous growth, including engineers with expertise in process development and automation. To ensure continuous competitive products the company is investing in the most modern process tools and research environments. This demands high skills, and substantial resources are thus also invested to develop the competences of the employees.

Management's Review

Targets and expectations for the year ahead

The expectations for 2018 are positive. Although management foresees continued intense competition.

Research and development

The company is continuously engaged in adaptation and improvement of its plants and processes as well as in new developments. The costs of research and development are recognized in the profit and loss statement, unless development cost meet the requirements for recognition in the balance sheet. The research and development costs in the profit and loss amounted to DKK 31,7 million in 2017 (DKK 28.8 million in 2016). Further DKK 29,6 million (DKK 25.8 million in 2016) of development costs related to R&D were capitalized in 2017 (of DKK 31,0 million capitalized in total).

Statement of corporate social responsibility

Climate and environment

The company affects the environment via transportation of products and employees, so does the company's energy consumption on performing pilot plant tests, heating of premises, cooling, lighting etc. The company has initiated renewal of present office lighting to LED lighting. This project is currently under execution and will reduce the annual CO2 emissions considerably.

At the current stage no official policy has been developed, in regards to impact on climate. Therefore, the goal for 2018 is to work on a specific policy in this area and also develop systems for capturing the environmental footprint of the company.

Focus is on reduction of energy consumption in internal processes as well as in development of new energy efficient technologies and plants. Among other things, this has resulted in accelerated development of our advanced automatic control system, POWDEREYE(TM) and DRYCONTROL(TM), so this is not only aimed at operations optimization of the drying process but also covers upstream equipment. This contributes to reduction of the energy consumption. Most dairy and food powder products possess a maximum allowed moisture content, which – if exceeded – will reduce the shelf life of the powder. Furthermore, the conditions of the inlet air for a process plant will have considerable influence on the drying of the product. This automatic control system can continuously keep the water content of the produced powder stable, so that over-drying of powder can be avoided at the same time as saving energy. When performing in-line measurements of moisture content in the drying air, the system is able to optimize the capacity of the industrial plant, whereby the energy content of the drying air will be optimally utilized. In areas with great variations in air humidity, the automatic control system may yield significant energy savings, when measuring energy consumption per kg powder produced. The current development expands the system to optimize operation and energy consumption in processing step prior to the drying.

In 2017 the Company also initiated a multimillion DKK development project to vastly reduce the energy consumption of drying plants offered to customers. No specific details on the project can be given since the project is still considered confidential and patent applications are being prepared. However, the project plan is for a 2019 launch of this new, innovative solution.

Management's Review

Moreover, the company has supplied energy monitoring of a number of process plants commissioned. In general, we experience increased interest from our customers regarding reduced energy consumption and less environmental impact. Consequently, we now upon request conduct so-called PINCH analysis on clients processing plants. A PINCH analysis is a methodology for minimizing energy consumption of processing plants by calculating thermodynamically feasible energy targets (or minimum energy consumption) and achieving them by optimizing heat recovery systems, energy supply methods and process operating conditions.

Further, we have developed in-house engineering software to accurately calculate the energy consumption of a given processing plant configuration. This is done during the sales phase of a new plant and thereby gives the client the possibility to evaluate the effect of adding energy saving technologies before deciding on the final configuration.

Employees

The number of employees grew slightly in 2017 and we experienced smaller organizational changes, which required that we still had to focus on wellbeing, occupational health and safety and job satisfaction, because we demand a lot from our employees in terms of flexibility, commitment and loyalty to the company.

Therefore we continued - in cooperation with our Health and Safety organization - the focus on the psychological work environment.

We made a stress policy that covered all Danish entities and offered Training to our managers and Health and Safety committee in stress spotting.

Late 2016 we also completed an employee engagement survey with a participation rate of nearly 90%. This survey was followed-up with several initiatives in all organizational units.

Absenteeism has increased from 2,18% to 2.21%. This is not a satisfactory increase, which means, that we will continue our focus on the psychological work environment in 2018.

Another focus area in 2017 has been harmonization and alignment between all Danish legal entities in terms of HR Policies. In 2018 a new employee handbook with new policies that are updated to our current situation will be issued.

Suppliers and human rights

The company has assessed that the biggest exposure regarding human rights is within the supplier area. This area is separately treated in the GEA Compliance Handbook.

Local and international regulations on conditions of employment, working hours and health and safety conditions are observed in order to comply with the high standard stated in the internal GEA Compliance Handbook. The Compliance Handbook specifically states that discrimination of employees by virtue of sex, sexual orientation, origin, color of skin, or other personal features are strictly forbidden.

Management's Review

Our purchase organisation is responsible for vendor management and procures workshop components, third party equipment and services for customer projects and after sales business. Workshop components are manufactured based on our drawings and specifications in external workshops in and outside Denmark. Third party services are purchased in accordance with framework supplier agreements or on a case-by-case basis depending on the characteristics of the supplier or product market.

The purchasing staff are all well-trained in 'good purchasing practice' and the legal aspects of purchasing. Every purchaser has taken an on-line test in anti-corruption and export control organized by GEA Group Compliance Management.

The procedures on extenal workshop audits include evaluation of working conditions, maintenance of production facilities, cleaning, training of workshop staff and safety measures at the workshop.

This has positively contributed to no registered breaches on our internal procedures or any severe non-compliance of our suppliers in 2017.

We expect to maintain our focus in this area in the future.

Equal opportunities policy

We have set up a policy to secure a gender composition of more women in our Management. The policy is based on the fact that we first need to secure a larger recruitment of women in new positions and thereby secure that women are appointed for future leading positions. Currently 1 of 4 present members in the Executive management is a woman and 1 of 3 members in the Supervisory Board (if employees' representatives are not taken into account) is a woman, which is deemed satisfactory and in line with the goals set in 2013.

Looking at the total management group below Executive Management and Supervisory Board, the gender composition is 9.4% women and 90.6% men, which is at approximately the same level as last year. As mentioned, we are working on the general gender composition and we have a long-term perspective to secure the availability of a group of qualified female employees who later on can take on a management role. The initiatives in our policy focus on this. However, in general only few women choose the traditional engineering educations, which are needed in our business. Among others our policy focus on recruiting candidates from both genders when we have open positions normally dominated by males. We demand that our external recruitment companies must recruit at least one female candidate for a job interview.

On top of this we are continuously making awareness in the management group of this gender issue. At the beginning of the year 2016 the gender composition of the company showed 24.5% women and 75.5% men. At the end of the year 2016 the level of women has risen to 27.7%. Unfortunately at the end of the year 2017, we are back to the level of 25%.Our goal is to gradually increase the number of female employees which will give us more women to choose from when appointing managers on all levels of management. Our goal is to reach a gender composition in 2017 of 25% women and 75% men, which we have reached. But we need to secure next year, that we have enough focus on this not to see a drop again.

Management's Review

Representative offices

The company has a representative office in:
Dubai, United Arab Emirates,
Riydah, Saudi Arabia.

Consolidated annual report

The company is a 100% owned subsidiary of GEA Group Holding GmbH, Germany, which is 100% owned by GEA Group Aktiengesellschaft, Germany.

The annual reports of the company and its subsidiaries are included in the audited consolidated annual report of GEA Group Aktiengesellschaft, Germany, which is the ultimate parent company of GEA Process Engineering A/S.

The above consolidated annual report can be obtained from GEA Process Engineering A/S, or can be downloaded from GEA Aktiengesellschaft's homepage (investor relations):

https://www.gea.com/en/binaries/GEA-annual-report-2017-en_tcm11-42938.pdf

Income Statement 1 January - 31 December

	Note	2017	2016
		DKK	DKK
Revenue	1	**2.105.027.458**	**1.708.531.316**
Production cost	2,5	-1.507.199.496	-1.198.778.463
Gross profit		**597.827.962**	**509.752.853**
Sales- and distribution costs	3,5	-183.824.037	-208.361.718
Administrative expenses	4,5	-144.461.080	-149.463.221
Profit before financial income and expenses		**269.542.845**	**151.927.914**
Financial income	6	137.307.072	43.444.322
Financial expenses	7	-63.830.021	-8.024.016
Profit before tax		**343.019.896**	**187.348.220**
Tax on profit for the year	8	-87.045.997	-29.494.778
Net profit for the year		**255.973.899**	**157.853.442**
Distribution of profit	9		

Balance Sheet 31 December 2017

Assets

	Note	2017	2016
		DKK	DKK
Completed development projects		84.879.571	72.863.422
Acquired intangible assets		30.422.426	33.952.948
Goodwill		27.348.936	32.204.562
Development projects in progress		78.665.265	79.404.693
Intangible assets	10	**221.316.198**	**218.425.625**
Plant and machinery		6.562.792	11.219.872
Other fixtures and fittings, tools and equipment		1.436.958	1.319.775
Leasehold improvements		45.230.885	50.218.732
Property, plant and equipment in progress		27.726.414	3.892.263
Property, plant and equipment	11	**80.957.049**	**66.650.642**
Investments in subsidiaries	12	859.618.849	846.098.147
Deposits	13	8.062.270	8.124.778
Investments		**867.681.119**	**854.222.925**
Total fixed assets		**1.169.954.366**	**1.139.299.192**
Raw materials and consumables		72.504.365	70.580.644
Inventories		**72.504.365**	**70.580.644**
Trade receivables		150.406.266	170.376.471
Contract work in progress	14	361.080.519	411.546.375
Receivables from group enterprises		816.813.240	700.904.467
Other receivables		136.868.012	6.811.635
Corporation tax		0	647.021
Prepayments	15	50.878.160	16.229.098
Receivables		**1.516.046.197**	**1.306.515.067**
Cash at bank and in hand		**12.179.311**	**34.915.874**
Total currents assets		**1.600.729.873**	**1.412.011.585**
Total assets		**2.770.684.239**	**2.551.310.777**

Balance Sheet 31 December

Liabilities and equity

	Note	2017	2016
		DKK	DKK
Share capital		100.000.000	100.000.000
Reserve for development costs		79.697.955	50.165.885
Retained earnings		646.570.221	559.812.211
Equity	16	**826.268.176**	**709.978.096**
Provision for deferred tax	17	237.771.382	180.232.529
Warranty and guarantee provisions	18	15.474.044	13.700.538
Total provisions		**253.245.426**	**193.933.067**
Trade payables		253.538.423	264.073.780
Contract work in progress, liabilities	14	496.124.396	370.732.243
Payables to group enterprises		834.459.630	874.490.541
Corporation tax		7.975.755	0
Other payables		99.072.433	138.103.050
Short-term liabilities other than provisions		**1.691.170.637**	**1.647.399.614**
Total liabilities other than provisions		**1.691.170.637**	**1.647.399.614**
Total liabilities and equity		**2.770.684.239**	**2.551.310.777**
Contingent assets, liabilities and other financial obligations	19		
Related parties	20		
Subsequent events	21		
Accounting Policies	22		

Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January 2017	100.000.000	50.165.885	559.812.211	709.978.096
Extraordinary dividend paid	0	0	-141.550.000	-141.550.000
Fair value adjustment of hedging instruments	0	0	2.391.902	2.391.902
Tax on adjustment of hedging instruments	0	0	-525.721	-525.721
Development costs for the year	0	30.886.672	-30.886.672	0
Depreciation, amortisation and impairment for the year	0	-1.354.602	1.354.602	0
Net profit/loss for the year	0	0	255.973.899	255.973.899
Equity at 31 December 2017	**100.000.000**	**79.697.955**	**646.570.221**	**826.268.176**

Equity 1. januar 2016	100.000.000	0	503.263.589	603.263.589
Extraordinary dividend paid	0	0	-50.372.550	-50.372.550
Fair value adjustment of hedging instruments	0	0	-1.192.017	-1.192.017
Tax on adjustment of hedging instruments	0	0	425.632	425.632
Development costs for the year	0	50.165.885	-50.165.885	0
Net profit/loss for the year	0	0	157.853.442	157.853.442
Equity at 31 December 2016	**100.000.000**	**50.165.885**	**559.812.211**	**709.978.096**

On 13 February 2018 an extraordinary dividend of DKK 44,7 million was decided on a shareholder meeting.

Notes to the Financial Statements

		2017	2016
		DKK	DKK
1	**Revenue**		
	Geographical segments		
	Revenue, Denmark	153.258.459	134.119.265
	Revenue, exports	1.951.768.999	1.574.412.051
		2.105.027.458	**1.708.531.316**
	Business segments		
	Denmark		
	Project	90.166.315	108.050.940
	Component	78.287	1.529.242
	Service	63.013.857	24.539.083
		153.258.459	**134.119.265**
	Export		
	Project	1.699.586.016	1.342.807.062
	Component	11.223.414	11.744.840
	Service	240.959.569	219.860.149
		1.951.768.999	**1.574.412.051**
		2.105.027.458	**1.708.531.316**
2	**Production cost**		
	Cost of goods sold	1.252.784.145	959.329.711
	Wages and salaries	254.415.351	239.448.752
		1.507.199.496	**1.198.778.463**
3	**Sales- and distribution costs**		
	Wages and salaries	138.983.275	145.393.945
	Depreciation and amortisation	28.758.752	24.088.882
	Other expenses	16.082.010	38.878.891
		183.824.037	**208.361.718**

Notes to the Financial Statements

		2017	2016
		DKK	DKK
4	**Administrative expenses**		
	Wages and salaries	93.128.151	104.646.932
	Depreciation and amortisation	11.118.368	9.732.267
	Other expenses	40.214.561	35.084.022
		144.461.080	**149.463.221**
5	**Staff**		
	Wages and Salaries	440.498.127	443.988.578
	Pensions	41.751.746	38.057.095
	Other social security expenses	4.276.904	7.443.956
		486.526.777	**489.489.629**
	Wages and Salaries, pensions and other social security expenses are recognised in the following items:		
	Production cost	254.415.351	239.448.752
	Sales- and distribution costs	138.983.275	145.393.945
	Administrative expenses	93.128.151	104.646.932
		486.526.777	**489.489.629**
	Including remuneration to the Executive Board and Board of Directors:		
	Executive Board	9.911.700	11.818.425
	Board of Directors	100.000	100.000
		10.011.700	**11.918.425**
	Average number of employees	**686**	**645**
6	**Financial income**		
	Gain from sale of subsidiaries	0	16.285.768
	Dividends from subsidiaries	66.275.847	22.309.200
	Interest received from group enterprises	488.772	245.236
	Reversal of impairment in subsidiaries	68.735.731	0
	Exchange adjustments	0	4.436.149
	Other financial income	1.806.722	167.969
		137.307.072	**43.444.322**

Notes to the Financial Statements

		2017	2016
		DKK	DKK
7	**Financial expenses**		
	Impairment of investments in subsidiaries	55.215.029	399.803
	Interest paid to group enterprises	6.390.822	5.444.359
	Other financial expenses	746.664	2.179.854
	Exchange adjustments, expenses	1.477.506	0
		63.830.021	**8.024.016**
8	**Tax on profit for the year**		
	Current tax for the year	5.223.034	-1.626.959
	Deferred tax for the year	53.086.009	34.657.745
	Adjustment of tax concerning previous years	-1.896.005	0
	Adjustment of deferred tax concerning previous years	3.927.624	-2.658.910
	Other taxes	26.705.335	-877.098
		87.045.997	**29.494.778**
9	**Distribution of profit**		
	Extraordinary dividend paid	141.550.000	50.372.550
	Retained earnings	114.423.899	107.480.892
		255.973.899	**157.853.442**
	Extraordinary dividend after year end	44.669.400	141.550.000

Notes to the Financial Statements

10 Intangible assets

	Completed development projects	Acquired intangible assets	Goodwill	Development projects in progress
	DKK	DKK	DKK	DKK
Cost at 1 January 2017	142.161.805	40.247.922	81.224.562	79.404.692
Additions for the year	0	2.029.116	0	30.987.016
Disposals for the year	0	0	0	-100.344
Transfers for the year	31.626.099	0	0	-31.626.099
Cost at 31 December 2017	173.787.904	42.277.038	81.224.562	78.665.265
Impairment losses and amortisation at 1 January 2017	69.298.383	6.294.974	49.020.000	0
Amortisation for the year	19.609.950	5.559.638	4.855.626	0
Impairment losses and amortisation at 31 December 2017	88.908.333	11.854.612	53.875.626	0
Carrying amount at 31 December 2017	**84.879.571**	**30.422.426**	**27.348.936**	**78.665.265**

Notes to the Financial Statements

11 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	DKK	DKK	DKK	DKK
Cost at 1 January 2017	94.449.601	28.148.879	82.849.384	3.892.263
Additions for the year	189.017	63.038	0	24.284.093
Disposals for the year	-612.711	0	0	0
Transfers for the year	0	449.942	0	-449.942
Cost at 31 December 2017	94.025.907	28.661.859	82.849.384	27.726.414
Impairment losses and depreciation at 1 January 2017	83.229.729	26.829.104	32.630.652	0
Depreciation for the year	4.468.262	395.797	4.987.847	0
Impairment and depreciation of sold assets for the year	-234.876	0	0	0
Impairment losses and depreciation at 31 December 2017	87.463.115	27.224.901	37.618.499	0
Carrying amount at 31 December 2017	**6.562.792**	**1.436.958**	**45.230.885**	**27.726.414**

	2017	2016
	DKK	DKK
12 Investments in subsidiaries		
Cost at 1 January 2017	1.011.140.366	1.011.140.366
Cost at 31 December 2017	1.011.140.366	1.011.140.366
Value adjustments at 1 January 2017	-165.042.219	-164.642.416
Impairment for the year	-55.215.029	-399.803
Reversals of impairment	68.735.731	0
Value adjustments at 31 December 2017	-151.521.517	-165.042.219
Carrying amount at 31 December 2017	**859.618.849**	**846.098.147**

The company has calculated the recoverable amount for the individual subsidaries and compared these to the carrying amount of these. The recoverable amount derived in connection with the impairment tests is calculated on basis of net cash flow in the individual subsidiary over a period of several years and a growth rate of 2 %.
The Weighted Average Cost of Capital (WACC) is based on an factor of 6,5 %, which is the estimated average within the business areas in which the subsidiaries operate. Further, a local risk factor is added based on individual market and geographical risks in the countries where the subsidiaries operate.
Based on the above assumptions the impairment test indicates impairment of financial fixed assets totalling to DKK 55,2 million, and reversal of impairment of totalling DKK 68,7 million. The impairment concerns the companies GEA Process Engineering OY and GEA Process Engineering Ltd. The reversal of impairment concerns the subsidiary GEA Process Engineering de Mexico S.A. de C.V. where an improvement in market conditions and financial outlook for the subsidiary has increased the recoverable amount.

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
Westfalia Separator A/S	Skanderborg	100%	30.381.593	2.940.891
GEA Scan Vibro A/S	Svendborg	100%	16.715.740	3.287.732
GEA Process Engineering Oy	Finland	100%	9.916.607	-141.333
GEA Pharma Systems AG	Schwitzerland	100%	88.758.098	-8.227.094
GEA Process Engineering Australia Pty. Ltd.	Australia	100%	99.560.648	27.061.634
GEA Engenharia e Processos Industrias Ltda.	Brazil	100%	121.545.437	-15.516.924
GEA Process Engineering Ltd.	Japan	100%	38.423.129	-5.645.899
GEA Process Engineering (NZ) Limited	New Zealand	100%	303.424.344	10.830.605
GEA Process Engineering (S.E.A.) Pte Ltd.	Singapore	100%	81.060.071	2.536.563
GEA Process Engineering (India) Limited	India	100%	184.112.377	6.099.654
GEA Folyamattervezö Kft.	Hungary	100%	1.767.919	-64.818
GEA Process Techonology Warsaw Sp.z o.o	Poland	100%	50.938.006	2.249.000
GEA Pharma Systems N.V.	Belgium	100%	202.538.505	24.681.281

Notes to the Financial Statements

12 Investments in subsidiaries (continued)

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
GEA Process Engineering	Chile	99,99%	12.194.264	1.330.722
GEA Tuchenhagen Mak. Mük. Tic. Ltd. Sti.	Turkey	99,975%	2.680.164	2.410.107
GEA Process Engineering de México S.A. de C.V.	Mexico	100%	65.105.651	1.138.106
			1.309.122.553	54.970.227

13 Deposits

	Deposits
	DKK
Cost at 1 January 2017	8.124.778
Disposals for the year	-62.508
Cost at 31 December 2017	8.062.270
Carrying amount at 31 December 2017	**8.062.270**

14 Contract work in progress

	2017	2016
	DKK	DKK
Selling price of work in progress	4.176.680.352	3.402.018.255
Payments received on account	-4.311.724.229	-3.361.204.123
	-135.043.877	**40.814.132**
Recognised in the balance sheet as follows:		
Contract work in progress for affiliated companies	213.051.496	165.264.339
Contract work in progress for third parties	148.029.023	246.282.036
Total work in progress	**361.080.519**	**411.546.375**
Advance payments from affiliated companies	-152.621.629	-138.867.496
Advance payments from third parties	-343.502.770	-231.864.748
Total advance payments	**-496.124.399**	**-370.732.244**
Total	**-135.043.880**	**40.814.131**

Notes to the Financial Statements

15 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions.

16 Equity

The share capital consists of 2 shares of a nominal value of DKK 50,000,000. No shares carry any special rights.

17 Provision for deferred tax

	2017 DKK	2016 DKK
Provision for deferred tax at 1 January	180.232.529	148.449.116
Amounts recognised in the income statement for the year	53.086.009	34.657.745
Adjustment of deferred tax (concerning previous years, equity adj. etc.)	4.452.844	-2.874.332
Provision for deferred tax at 31 December	**237.771.382**	**180.232.529**
Intangible assets	46.166.415	43.475.037
Tangible assets	629.871	1.024.548
Contract work in progress	191.421.025	141.002.328
Provisions	-445.929	-5.269.384
	237.771.382	**180.232.529**

18 Warranty and guarantee provisions

Warranty and guarantee provisions	15.474.044	13.700.538
	15.474.044	**13.700.538**

19 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:		
Within 1 year	28.139.795	29.576.604
Between 1 and 5 years	90.386.114	89.268.233
After 5 years	56.486.101	77.592.756
	175.012.010	**196.437.593**

Notes to the Financial Statements

		2017	2016
		DKK	DKK
19	**Contingent assets, liabilities and other financial obligations** (continued)		
	Guarantee obligations		
	Warranties and guarantee obligations issued by GEA concerning execution of contractual work etc. for third party.	163.416	419.735.201
	Bank guarantees have been given to third parties concerning execution of contractual work etc. for third party.	346.331.391	219.125.716

Joint taxation

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the GEA Group. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

20 Related parties

	Basis
Controlling interest	
GEA Group Holding GmbH, Germany	100%

Transactions

GEA Process Engineering A/S is a 100% owned subsidiary of GEA Group Holding GmbH, which is 100% owned by GEA Group Aktiengesellschaft, Germany.

GEA Process Engineering A/S' closely related parties with material influence include GEA Group Aktiengesellschaft and enterprises, including GEA Group Holding GmbH and its subsidiaries and associates, as well as the subsidiaries and associates listed in note 11.

GEA Process Engineering A/S sells and purchases goods and services to/from subsidiaries and associates. All trade is based on market terms, as the trade is based on the same terms as with the external partners.

As the transactions are carried out on an arm's length basis the company has not disclosed further details in accordance with section 98c(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

Name	Place of registered office
GEA Group Aktiengesellschaft	Germany

The Group Annual Report of GEA Group Aktiengesellschaft may be obtained at the following address:

GEA Group Aktiengesellschaft, Peter Müller Strasse 12, D-40468 Düsseldorf, Germany
Or at:
https://www.gea.com/en/binaries/GEA-annual-report-2017-en_tcm11-42938.pdf

21 Subsequent events

On 13 February 2018 an extraordinary dividend of DKK 44,7 million was decided at a shareholder meeting. There are no other subsequent events which could materially affect the financial position of the company.

Notes to the Financial Statements

22 Accounting Policies

The Annual Report of GEA PROCESS ENGINEERING A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in DKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of GEA Group Aktiengesellschaft, Germany, the Company has not prepared consolidated financial statements.

Further pursuant to the Danish financial statements act § 96, paragraph 3, the company has not disclosed fee for auditors appointed at the general meeting.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of GEA Group Aktiengesellschaft, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, write-down and provisions as well as write-backs as a result of changed accounting estimates of amounts that earlier have been included in the profit and loss statement are included.

Assets are included in the balance sheet when it is likely as a result of a prior event that future financial advantages will accrue to the company and when the value of the asset can be measured in a reliable way.

Liabilities are included in the balance sheet when the company has a legal or actual obligation as a result of a prior event and if it is likely that future financial advantages will no longer be of benefit to the company, and the value can be measured in a reliable way.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Notes to the Financial Statements

22 Accounting Policies (continued)

Gains, losses and risks that result before the annual report is submitted and which confirm or deny conditions present at the balance sheet date must be considered in connection with recognition and measurement.

Business combinations

When acquiring new entities, the purchase method is applied under which identifiable assets and liabilities are measured at fair value at the date of acquisition.

Positive differences (goodwill) between cost and the fair value of identifiable assets and liabilities acquired, including restructuring provisions, are recognised as intangible assets and amortised systematically in the income statement based on an individual assessment of the useful life. Goodwill and negative goodwill from acquired entities may be adjusted until 12 months after the acquisition date.

Newly acquired or newly established entities are recognised in the consolidated financial statements at the date of acquisition or establishment. Divested or wound-up entities are recognised in the consolidated income statement up to the date of divestment or winding-up. Comparative figures are not restated to reflect acquisitions, divestments or windings-up.

The uniting-of-interests method is applied to business combinations such as the acquisition and disposal of equity investments, mergers, demergers, contribution of assets, share exchanges, etc., between entities controlled by the Parent Company. The uniting of interests is considered to have been completed at the date of the acquisition without restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquired entity is recognised in equity.

Gains or losses on the divestment of subsidiaries and associates are calculated as the difference between the sales amount and the carrying amount of net assets at the date of disposal, including non-amortised goodwill and projected costs of divestment or winding-up

Translation policies

Transactions in foreign currencies are recorded at initial recognition at the exchange rate on the transaction date. Exchange rate differences appearing between the exchange rate on the transaction day and the exchange rate on the date of the payment are recognised as a financial gain/loss in the profit and loss statement.

Receivables and debt in foreign currencies are recorded in Danish Kroner according to the exchange rate on the balance sheet date or the exchange rate in forward contracts, if the outstanding is secured. Exchange rate differences appearing between the exchange rate on the balance sheet date and the exchange rate on the date of the original recognition of the receivable or the debt are recognised as a financial gain/loss in the profit and loss statement.

Notes to the Financial Statements

22 Accounting Policies (continued)

Hedge accounting

The company is on a continuous basis entering into financial contracts in order to hedge receivables, liabilities and expected cashflow.

For financial contracts, which are classified as and meet the requirements of full hedging assets, liabilities and expected cashflow, changes in fair value are recognised in accounts receivable, debts and equity. Gains and losses from such financial contracts are transferred from equity by realisation of the secured item and are recognised in the annual report in the same place as the secured.

Income Statement

Revenue

Income from the sale of goods for resale and finished goods, is recognised in the income statement when delivery and transfer of risk to the buyer have taken place and provided that the income can be reliably measured and is expected to be received.

Revenue is measured ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Construction contracts are recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage of completion method). When the income from a construction contract cannot be estimated reliably, revenue is recognised only corresponding to the costs incurred to the extent that it is probable that they will be recovered.

Production costs

Production cost comprise costs, including salaries, incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases.

Sales- and distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc., during the year are recognized as distribution costs. Also, costs relating to sales staff, advertising, exihibitions and depreciation are recognized as distribution costs.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for company management and administration, including expenses for administrative staff, management, office premises and office expenses, and depreciation.

Notes to the Financial Statements

22 Accounting Policies (continued)

Financial income and expenses

Financial income and expenses include interest income and expenses as well as realised and unrealised exchange gains and losses related to transactions in foreign currency together with dividends distributed from subsidiaries, and impairment write-downs on subsidiaries and reversal hereof.

Tax on profit for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish group companies. The Company is administrative company for the joint taxation and consequently settles all payments of corporation tax to the Danish Tax authorities. The tax effect of the joint taxation with other Danish group enterprises is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at maximum 20 years.

Development costs comprise costs, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement when incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life, which is 3-5 years.

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining patent period, and licences are amortised over the licence period.

Notes to the Financial Statements

22 Accounting Policies (continued)

Gains and losses on the disposal of development projects, patents and licences are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income/other operating costs.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use assets of own production comprises direct and indirect expenses for labour and materials.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant, other fixtures and fittings, tools and equipment	3-15	years
Leasehold improvements	10-30	years

Depreciation period and residual value are reassessed annually.

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price minus selling costs and carrying amount at the time of sale. Profits or losses are included in the income statement under other operating income/other operating costs.

Tangible fixed assets are written down to the recoverable amount, if this is lower than the book value.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Previously recognised write-downs are reversed when the bans for the write-down no longer exists. Reversed write-downs are recognised in the income statement as financial income.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment as well as equity investments in group entities and associates are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the

Notes to the Financial Statements

22 Accounting Policies (continued)

carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The cost of goods for resale, raw materials and consumables consist of purchase price plus landing cost.

Goods of own production are measured at the lower of direct material and wages with addition of indirect production cost or net realisable value.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The percent of completion is determined as the ratio between direct allocated costs, including materials, wages etc. with the addition of indirect production costs related to the contract work and latest estimated total cost.

Contract work in progress and invoicing on account in foreign currency have been translated at the rates of exchange in effect on the date of contract.

In cases where invoicing on account exceeds the recognised sales value of a contract, the exceeding amount has been included in current liabilities as part of advance payment from customers.

Prepayments

Prepayments comprise prepaid expenses concerning subsequent financial years. Prepayments are measured at cost.

Equity

Reserve for development costs

The reserve for development costs comprises capitalised development costs. The reserve cannot be used for dividend, distributed or cover losses. If the recognised development costs are sold or in other ways

Notes to the Financial Statements

22 Accounting Policies (continued)

excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributeable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the development costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established. The reserve is reduced by amortisation of capatalised development costs on an ongoing basis.

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Other provisions, which contain expected costs for warranty provisions, losses on contract work in progress, restructuring etc. are recognized if the obligation is present at the date of the balance sheet.

Warranty obligations contain the commitments to repair works within the warranty period. Based upon experience, a provision for warranty expenses has been established to cover such obligations.

When there is a probability that the total costs will exceed the total income of contract work in progress for third parties, a provision of the total loss expected is established under cost of manufactured goods.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account.

Current tax payable and receivable is recognised in the balance sheet as amounts owed by or to affiliates.

Notes to the Financial Statements

22 Accounting Policies (continued)

Liabilities other than provisions

Financial liabilities are measured at amortised cost, substantially corresponding to nominal value.

Segment information

segment information is provided on business segments and geographical markets. The segment information is in line with the Company's accounting policies, risk and internal financial managment.

Notes to the Financial Statements

22 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$